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Financial reports and audited financial statements, and reports of the Board of Auditors

Implementation of the recommendations of the Board of Auditors

Report of the Secretary-General

I. Introduction

1. In its resolution 52/212 B of 31 March 1998, the General Assembly accepted the recommendation of the Board of Auditors in the annex to document A/52/753, that progress reports be submitted to the Assembly on an annual basis on measures taken or to be taken in response to the recommendations of the Board of Auditors.

2. The present report has been prepared accordingly. Information is provided on measures taken or to be taken to implement those recommendations of the Board of Auditors that were reported as not fully implemented in document A/53/335/Add.1 of 10 September 1998, the last such report prepared in accordance with paragraph 7 of General Assembly resolution 48/216 B of 23 December 1993, which called for reporting on a biennial basis.

3. In preparing the present report, account was also taken of the provisions of General Assembly resolutions 49/216 A of 23 December 1994, in particular paragraphs 9 and 10; 49/216 B of 23 December 1994, paragraphs 3 and 4; 49/216 C of 23 December 1994, paragraph 3; 50/204 A of 23 December 1995, paragraph 4; 51/225 of 3 April 1997, section A, paragraph 10; and 52/212 B of 31 March 1998, paragraphs 3 to 5.

4. In accordance with paragraph 8 of the annex to document A/52/753, which was endorsed by the General Assembly in its resolution 52/212 B, the Secretary-General has been considering the most effective mechanism for strengthening oversight in regard to implementation of audit recommendations. As a first step in that direction, an Oversight Support Unit was established in the Department of Management of the Secretariat, which already carries out a variety of oversight follow-up functions.

II. Previous recommendations not fully implemented

5. In paragraph 9 (a) of its report to the General Assembly at its fifty-third session,[1] the Board of Auditors drew attention to its recommendation made in 1990–1991 and 1994–1995 that the Administration address the deficiencies in hiring, granting remunerations and performance evaluation of experts and consultants.

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6. In accordance with that recommendation, the revised guidelines for the use of consultants have been presented to and endorsed by the General Assembly. The Assistant Secretary-General for Human Resources Management will promulgate the new guidelines by 30 June 1999, and will report on their implementation to the General Assembly at its fifty-fourth session.

7. In paragraph 9 (b), the Board drew attention to its 1992–1993 recommendation that the Administration develop and implement a career development system. That recommendation was reiterated in paragraph 11 (h) of the Board's report.

8. As stated in the Secretary-General's report on human resources management (A/53/342, para. 52), the Organization's career development policy is based on the principle that responsibility for career growth and development is shared: by the Organization, which must provide structural support and a framework of opportunities; by managers, who must support their staff's development and career progress; and by the staff members themselves, who must be committed to continuous professional growth.

9. In that context, the Organization has continued to develop and strengthen the basic elements of a career support system. A key element is the development of core organizational competencies and managerial competencies to be used as a basis for other human resources systems, such as recruitment, placement, staff development and appraisal. A participatory process involving interviews with all heads of department and office and focus groups, including all staff across the Secretariat, has been undertaken to define and validate core and managerial competencies. A competency model was being introduced in the first half of 1999 and initial applications of this model will be developed subsequently.

10. Another essential element of a career support system is a human resources planning capacity to project organizational human resources requirements and facilitate timely action to recruit, train and develop staff to fill those requirements. Work has begun on a system that will have an integrated database and forecasting and data monitoring capability. A skills inventory database has been created and supervisory experience is being entered into the database. This information will facilitate succession planning, focused recruitment and greater career support.

11. The performance appraisal system has been revised to link the system more closely to staff development and career support. In the revised system, all staff with supervisory or managerial responsibility are required to fulfil goals related to the development of their staff, and all staff members are expected to indicate at least one professional development goal to be achieved during the reporting period.

12. The Secretary-General, in his bulletin entitled "Building the future" (ST/SGB/1998/6), emphasizes that staff development is a shared responsibility and stresses the need to create an organizational environment that supports managers and enables staff to contribute to their maximum potential. Accordingly, another essential element of the Organization's career development policy is the identification of development needs and provision of learning opportunities for all staff.

13. To meet the Organization's identified priority needs, staff development and learning programmes have been reinforced and refocused, and new target programmes are being implemented for staff at all levels, Secretariat-wide. Frameworks are being developed to spell out the progression of skills and competencies required for staff to advance to different levels in the Organization and the variety of means available to staff to develop those skills and competencies.

14. While the Organization has responsibility for providing a range of staff development opportunities, the Secretary-General has made clear his expectation that managers also have an important role to play in supporting the growth and development of their staff and has stressed that managing people must be seen as a key managerial task, along with programmes, financial resources, information and change.

15. Particular attention continues to be focused on entry-level Professional staff recruited through the competitive examination processes. The intensive development programme for new Professional staff, which was introduced in 1997, includes regularly scheduled follow-up and ongoing career counselling for participants.

16. In addition to training, it is recognized that all staff members need to have improved access to information about the work and job requirements in the various departments and occupational groups, and to receive guidance in order to understand their role, plan for their development and set realistic career goals. To address that need, an integrated series of career support programmes has been introduced, which includes career-planning workshops for staff and supervisors, information sessions, panel discussions and video presentations. Career planning workbooks and videos on career and development issues are being made available in self-study resource centres.

17. Priority attention is being given to reviewing the issue of mobility, bearing in mind the needs and the means of the Organization must be the paramount consideration.

Accordingly, measures are being taken to achieve greater mobility of staff in terms of functions, departments, duty stations and organizations of the United Nations system, and to address internal constraints. Particular emphasis is being given to a means of increasing the mobility of entry-level Professionals so as to provide those staff with the opportunities to broaden their experience during the early stages of their careers. In that regard, the Secretary-General intends to introduce a system of managed assignments whereby the initial assignments of all entry-level Professional staff will be managed centrally, in collaboration with programme managers, in order to provide them with two different assignments in their first five years in the Organization. Implementation of the proposed managed reassignment programme will require a fundamental shift on the part of programme managers in viewing entry-level Professional staff as an organizational resource, and in considering junior Professional posts as developmental positions.

18. The Secretary-General is also committed to examining all avenues for enhancing mobility, including increased support for lateral moves, job exchanges, secondments, temporary assignments, job rotation systems within departments and service in missions. The Assistant Secretary-General for Human Resources Management is responsible for the implementation of this recommendation.

III. Implementation of recommendations contained in paragraph 11 of the report of the Board of Auditors

19. In paragraph 11 (a) of its report, the Board recommended that the Administration improve monitoring to ensure that final expenditures by each section and responsibility centre are as close as possible to the allotments issued for the biennium.

20. The Controller continues to monitor expenditures closely to ensure compliance with the authorized allotments. The recent implementation in Headquarters of Release 3 of the Integrated Management Information System (IMIS) has enabled the Administration to produce budget performance reports in "real time" and to take prompt corrective action. Release 3 will be implemented progressively in offices away from Headquarters, under the responsibility of the Controller and the Assistant Secretary-General for Central Support Services.

21. Additionally, in late 1998, offices were requested to report on the level of actual and projected expenditures, by object group, for the first year of the biennium. This exercise provided an opportunity for both system offices and the Office of Programme Planning, Budget and Accounts to anticipate adjustments to the allotments and thereby take appropriate action. Under the responsibility of the Controller, this process is being refined and is expected to form part of the standard procedures for the monitoring of expenditures.

22. In paragraph 11 (b), the Board recommended that the Administration integrate all accounting systems with IMIS.

23. Accounting systems at offices away from Headquarters continue to rely on processing using the general accounting system, but are now being integrated into IMIS. A number of technical staff from those offices were trained in Release 3 issues in the course of 1998, and this training is continuing in 1999. In addition, staff from Headquarters have performed on-site reviews at a number of offices away from Headquarters.

24. The integration of accounting systems with IMIS will be effected with the implementation of Release 3 at the various offices away from Headquarters: the United Nations Office at Vienna, 1 July 1999; the Economic and Social Commission for Western Asia (ESCWA), 1 October 1999; the Economic Commission for Latin America and the Caribbean (ECLAC), 1 January 2000; the Economic and Social Commission for Asia and the Pacific (ESCAP), 1 March 2000; the United Nations Office at Geneva, 1 April 2000; the United Nations Office at Nairobi, 1 July 2000; and the Economic Commission for Africa (ECA), 1 July 2000. All peacekeeping missions already use the new IMIS account codes. Consequently, all United Nations offices will be consistently using the IMIS account codes as from 1 July 2000. The responsibility for implementing this recommendation belongs to the Controller and the Assistant Secretary-General for Central Support Services.

25. In paragraph 11 (c), the Board recommended that the Administration modify Release 3 of IMIS to avoid the necessity of introducing substantial adjustments of accounts receivable and payable outside IMIS; provide detailed information about debtor/creditor identity in respect of each item of accounts receivable and accounts payable; and enable the Organization to actively pursue recovery, especially in long-outstanding accounts.

26. The following actions have been taken pursuant to this recommendation, under the responsibility of the Controller and the Assistant Secretary-General for Central Support Services:

(a) New general ledger codes were added for the After-Service Health Insurance (ASHI) in July 1998, and substantial changes were made to the ASHI interface computer program. Changes in on-line posting rules affecting ASHI documents will be addressed in 1999;

(b) The offset reports provided to assist with the closing of accounts for June 1998 have been developed and delivered as part of the reporting application;

(c) Receivable ageing reports were specified in 1998 and were being provided for the closing of the accounts at 31 December 1998;

(d) Outstanding contributions-receivable ageing reports are currently being developed.

27. In paragraph 11 (d), the Board recommended that the Administration plan its major maintenance work sufficiently in advance to avoid the necessity of introducing exigency contracts, to give adequate time for the approval process, to obtain competitive bids and to have sufficient time to vet the background of the contractors and vendors.

28. The Secretary-General recognizes that procurement planning is essential to avoid exigency contracts, to provide adequate time for vetting the background of potential contractors and vendors, for the effective and timely solicitation of bids and proposals, for the award of contracts and, ultimately, for the delivery of the required goods and services. The Procurement Division of the Office of Central Support Services has taken action to remind all offices of their obligation to undertake timely annual procurement planning. The Assistant Secretary-General for Central Support Services is responsible for the implementation of this recommendation.

29. In paragraph 11 (e), the Board recommended that the Administration ensure that prospective bidders have sufficient time to respond.

30. The Procurement Manual states that it is imperative that requisitioning departments and offices provide adequate lead time for the Procurement Division to properly conduct the procurement process, and specifies separate standard lead times for highly technical requirements and for average requirements. The Procurement Manual has been made available to all users on the United Nations home page on the Internet. In some cases, however, the Procurement Division is called upon to make exceptions to the standard lead times, especially in relation with peacekeeping missions, where operational needs are subject to rapid and unforeseen changes. The Procurement Division endeavours to ensure that vendors have sufficient time to submit their bids and proposals; however, the actual time-frame for the completion of purchases depends on adherence to the requisitioning guidelines in the Procurement Manual. The Assistant Secretary-General for Central Support Services is responsible for the implementation of this recommendation.

31. In paragraph 11 (f), the Board recommended that the Administration include guidelines for open tendering in the Procurement Manual and specify in the Manual the frequency at which the Supplier Review Committee should review the evaluation of potential suppliers.

32. The Procurement Division has established guidelines that require the open tendering through advertisements in the print media for purchases in excess of $200,000, and when sufficient lead time has been provided by the requisitioning office or department. These guidelines will be reviewed for future incorporation into the Procurement Manual. The frequency of meetings and the evaluation procedures of the Supplier Review Committee will be reviewed in the light of developments related to the Common Supplier Database. The Assistant Secretary-General for Central Support Services is responsible for the implementation of this recommendation.

33. In paragraph 11 (g), the Board recommended that the Administration finalize the special emergency rules and procedures on humanitarian assistance without further delay.

34. In his report to the General Assembly dated 24 August 1994 (A/49/336, para. 86), the Secretary-General gave assurances that pending the development of special emergency rules and procedures consideration would be given to a more appropriate delegation of authority to accommodate the exigencies and special requirements of emergency programmes. Accordingly, additional financial management authority has been delegated to the Emergency Relief Coordinator. Since 14 December 1998, the Emergency Relief Coordinator has been empowered to issue extrabudgetary allotments, which should eliminate the possibility of the recurrence of the kind of delays cited in the Board's report.

35. The Administration considers that the Financial Regulations and Rules of the United Nations, currently being revised, remain the principal source of financial regulatory and procedural authority. The Controller is responsible for the implementation of this recommendation.

36. In paragraph 11 (h), the Board recommended that the Administration formulate and implement a strategy for career development without delay.

37. The Administration's response has been included under paragraphs 5–18 above.

38. In paragraph 11 (i), the Board recommended that the Administration undertake a review to see whether the

elimination of 59 posts, as envisaged when the United Nations Office at Nairobi was established, had actually been achieved.

39. The Director-General of the United Nations Office at Nairobi, who is responsible for the implementation of this recommendation, confirms that in fact the streamlining resulted in the reduction of 59 posts in its administrative infrastructure, in accordance with the staffing proposal contained in the corresponding budget document.

40. In paragraph 11 (j), the Board recommended that the Administration consider establishing a system whereby users of common services should be required to pay for such services on a cost-apportioned basis.

41. At present, common medical, legal, information technology and financial services are reimbursed by users. A task force has been convened in New York by the Office of Central Support Services to consider further common service arrangements. As and when further common services are established, users will be charged.

42. In paragraph 11 (k), the Board advised the Administration to request the United Nations Offices at Geneva and Vienna to adopt the set of key performance indicators proposed by the Secretary-General for conference services and to develop performance indicators to cover other services.

43. Workload statistics for conference-servicing functions apply equally at Headquarters, the United Nations Office at Geneva and the United Nations Office at Vienna. Other performance indicators are being developed. The Under-Secretary-General for General Assembly Affairs and Conference Services is responsible for the implementation of this recommendation.

44. In paragraph 11 (l), the Board recommended that the Administration establish the conference centres of ECA and ESCAP as separate cost centres, with all costs associated with their operation apportioned to them for more accurate determination of their profitability.

45. In accordance with this recommendation, the budget submission for the biennium 2000–2001 includes provisions to establish expenditure accounts for these conference centres. Income corresponding to these activities will be recorded under income section 2 of the programme budget. The Assistant Secretary-General for Programme Planning, Budget and Accounts is responsible for the implementation of this recommendation.

46. In paragraph 11 (m), the Board recommended that the Administration monitor and accelerate the pace of preparedness for managing the year 2000 issue; completely test for compliance all systems, including those that are considered year 2000 compliant because of their recent development, with sufficient lead time to address any deficiencies, to avoid any surprise at the turn of the century; formally test IMIS for year 2000 compliance; and formulate contingency plans for all systems.

47. A Year 2000 Management Group, composed of senior managers (Under-Secretaries-General and Assistant Secretaries-General) and chaired by the Under-Secretary-General for Management, was established in February 1999 to provide policy guidance and oversight to the Secretariat, with the participation of selected funds and programmes. Priority is given to mission-critical operations of the Organization to ensure they will be fully operational, irrespective of outside constraints.

48. The Year 2000 Management Group is supported by a year 2000 team, an interdepartmental task force coordinating year 2000 issues in the areas of information management, peacekeeping operations, humanitarian affairs, economic and social affairs, development cooperation, security and safety, facility management, as well as legal, financial and administrative issues. The team identifies mission-critical operations of the Organization as a whole, develops contingency plans for those mission-critical operations where there may be a risk of failure, and encourages sharing of efforts, exchange of materials and the review of current and best practices with organizations of the United Nations system.

49. The United Nations engaged the services of a specialized consultant to conduct a Year 2000 Risk Assessment Study for its telecommunications and computing infrastructure as well as business applications at United Nations Headquarters. During the first phase of the study, the consultant was required to establish an inventory of business applications and telecommunications and computing components subject to year 2000 risk. A total number of 131 business applications were inventoried, of which 76 have been identified as business-critical. Of these business-critical applications, fully 37 have been determined to be year 2000 non-compliant. Seventeen of the non-compliant applications have been determined to be mission-critical in nature. Of the 17 non-compliant, mission-critical applications, 6 are financial applications, including payroll, insurance billing and check printing; 5 are revenue-producing applications, including the optical disk, visitor registration and megastamp systems; 2 are enterprise systems, including the cc:mail and the telephone directory; and 4 are important departmental systems, including the system for scheduling interpretation, recording of documentation, information tracking, United Nations pass

and identification system and the Permanent Missions' staff database.

50. In the second phase of the exercise, programmed for completion by 30 June 1999, the consultant will use specialized software tools to examine the inventory items for potential year 2000 problems and will issue a risk assessment report to this effect with recommended remedial actions and resources estimates.

51. The year 2000 team will coordinate the development of contingency plans for each of the principle mission-critical operations where there is a risk of failure. The team is preparing a template for such contingency plans, which will be circulated to departments and to offices away from Headquarters by 30 June 1999.

52. The new year 2000-compliant version of IMIS (3.4.4) will be tested during the month of June and is programmed for introduction in July 1999. The Under-Secretary-General for Management is responsible for implementing this recommendation.

IV. Implementation of recommendations contained in the body of the report

53. In addition to the above-mentioned main recommendations, the Board made other specific recommendations throughout the body of the report.

54. In paragraph 23, the Board urged the Administration to consider further the Board's recommendation in its report for the biennium 1994–1995 that the budget performance reports presented to the General Assembly be modified to reflect the actual expenditures and projections closer to the end of the biennium in the context of IMIS Release 3.

55. The timeliness of expenditure reports has improved since the implementation of Release 3 of IMIS at Headquarters, and similar results are expected with the progressive implementation of Release 3 at offices away from Headquarters. It is anticipated that for the preparation of the second budget performance report for the biennium 1998–1999, expenditure analysis will be based on actual expenditure data for the first 21 months of the biennium, thereby allowing the Office of Programme Planning, Budget and Accounts to project final expenditures with greater accuracy. The Controller and the Assistant Secretary-General for Central Support Services are responsible for the implementation of this recommendation.

56. In paragraph 48, the Board recommends that: (a) United Nations Headquarters review the level of supporting information provided with inter-office vouchers to ensure that sufficient details were included to enable the transactions to be verified and properly recorded; (b) United Nations Headquarters and the United Nations Office at Geneva monitor and reconcile the inter-office vouchers on a more regular basis so that by the end of a given financial period such transactions would be properly reflected in the accounts; and (c) the financial statements show the inter-office vouchers in gross terms, properly classified as transactions awaiting processing.

57. In accordance with the above recommendation, supporting documentation provided with inter-office vouchers is reviewed on a regular basis. A concerted effort has been made to eliminate the backlog in the processing of inter-office vouchers and to bring the reconciliation of vouchers up to date. Financial statements now show the inter-office vouchers awaiting processing in gross terms. The Controller is responsible for the implementation of this recommendation.

58. In regard to cash management at the United Nations Office at Nairobi, the Board recommended, in paragraph 50, that cash flow forecasting statements be prepared and effectively used as a tool for cash management.

59. The United Nations Office at Nairobi is taking steps to improve cash management, including the full utilization of interest-bearing accounts and the investment of surpluses in short-term investments in order to maximize interest generation. The feasibility of preparing formal cash forecasting statements is currently under review by the Director-General of the United Nations Office at Nairobi, who is responsible for the implementation of this recommendation.

60. In paragraph 63, the Board recommended that ECA and the United Nations Office at Nairobi ensure that bank reconciliations be brought up to date and that non-reconciling items be promptly investigated for the necessary adjustments to be made in the accounts.

61. With regard to ECA, bank reconciliations have been brought up to date to February 1999. With the installation of the Sun accounts system, bank reconciliations are now processed automatically. ECA will complete the processing of prior years' reconciliations by 30 June 1999. The Executive Secretary of ECA is responsible for the implementation of this recommendation.

62. Delays in bank reconciliations have been reduced significantly at the United Nations Office at Nairobi. The backlog in bank reconciliations was attributable to the need to reprocess a number of reconciliations following the

summary dismissal of the staff member responsible for this task in the Division of Administrative Services of the United Nations Office at Nairobi. The Director-General of the United Nations Office at Nairobi is responsible for the implementation of this recommendation.

63. In paragraph 69, the Board recommended that the Administration resolve the matter regarding the sale of inventory of the United Nations Gift Centre without further delay.

64. The question of the valuation of the inventory was referred to the Headquarters Committee on Contracts and payment was received during the first quarter of 1999. The Assistant Secretary-General for Central Support Services is responsible for the implementation of this recommendation.

65. In paragraph 87, the Board recommended that since the integrated library information system project had been considerably delayed from the time the General Assembly had authorized it during the biennium 1992–1993, the Administration should ensure that its full implementation was achieved without further delay.

66. This recommendation has been fully implemented with the introduction of the circulation module in August 1998. Now all planned modules of the Integrated Library Management System are entirely operational.

67. In paragraph 89, the Board recommended that the Administration ensure that the reasons for the advance payment on contracts at the United Nations Office at Nairobi be recorded.

68. Appropriate measures have been taken by the United Nations Office at Nairobi to ensure that written justifications are on file in each instance. The Director-General of the United Nations Office at Nairobi is responsible for the implementation of this recommendation.

69. In paragraph 98, the Board recommended that the Administration make efforts to recover the value-added tax improperly paid by ECLAC and make further attempts to resolve the issue of the tax payment on purchases with the national Government.

70. Following the issuance of this recommendation, ECLAC engaged representatives of the host country in discussions aimed at broadening the Organization's tax-exempt status to include all purchases of goods in the host country. However, under the current tax code, exemption is only applicable to items imported into the host country and to major local purchases of goods and services related to the construction of premises, furniture and fixtures. The Executive Secretary of ECLAC is responsible for the implementation of this recommendation.

71. In paragraph 144, the Board recommended that the United Nations Office at Geneva and the United Nations Office at Vienna record actions taken in the recruitment or appointment of staff so that delays can be identified, causes analysed and appropriate remedial action taken.

72. In respect of this recommendation, these two Offices will be covered by the IMIS recruitment- and appointment-tracking system that is expected to be implemented by 30 June 1999. The Directors-General of the United Nations Office at Geneva and the United Nations Office at Vienna are responsible for the implementation of this recommendation.

73. In paragraph 172, the Board recommended that the United Nations Compensation Commission invite its Governing Council to review the basis of the processing fee that Governments were entitled to deduct from payments made to claimants to compensate for the costs they incurred.

74. In compliance with that recommendation, the United Nations Compensation Commission drew the attention of its Governing Council to the Board's recommendation during the meeting of its Working Group in December 1998 and again in March 1999. Secretariat staff provided information to representatives on current practices of Governments and international organizations relating to the deduction and use of the processing fee. The Working Group concluded that Governments and international organizations were not overcompensated for the costs incurred in providing services to claimants, and saw no reason for further review of the basis for the processing fee established by decision 18 of the Governing Council.

75. In paragraph 224, the Board recommended that the United Nations Conference on Trade and Development (UNCTAD) introduce allotment procedures for its trust fund projects.

76. The Administration will introduce individual allotment advices for trust fund projects effective 1 May 1999. The Secretary-General of UNCTAD is responsible for the implementation of this recommendation.

Notes

[1] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5* (A/53/5), vol. I, chap. II.